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Chairman: Mr. Effah-Apenteng ..... (Ghana)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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The meeting was called to order at 10 a.m.

Agenda item 129: Improving the financial situation of the United Nations

Statement by the Under-Secretary-General for Management

1. **The Chairman** announced that the statement that the Under-Secretary-General was about to make would be incorporated in the Secretary-General's report on the financial situation of the United Nations, which was to be debated the following week.

2. **Mr. Connor** (Under-Secretary-General for Management) observed that his report on the financial position of the Organization would depart from precedent in that its recurring theme would not be doom and gloom. He was pleased that at last he could be the herald of good tidings.

3. The first piece of good news was that the assessed payments of Member States in 2001 should amount to the unprecedented sum of $4,716 million, compared with $2,893 million in 2000. That figure included contributions already paid at 30 September and those projected to be paid during the third quarter by the United States of America and by other Member States. The forecasts were based on current information supplied by the United States of America and several other Member States and on an analysis of payment practices in the past.

4. Payments in 2001 by the United States of America were expected to total $1,666 million, the bulk of which would arrive between October and December. Payments by other Member States were put at $3,050 million, most of which had been received by the end of September.

5. Total payments expected from the United States of America during the fourth quarter, according to information from the Government of that country on the status of its domestic legislation for funding such payments, amounted to $1,459 million, comprising $582 million for peacekeeping arrears, $572 million for additional payments to the current year's peacekeeping assessments, $23 million as an additional payment towards the international tribunals, $251 million as the remainder of the regular budget assessment for 2001 plus a contribution of $31 million made possible by Mr. Turner.

6. The figure already quoted of total expected receipts in 2001, something over a third of which would probably be made up of payments by the United States, was 11 per cent higher than total assessments for the year. The ratio of payments to assessments, which gave some indication of the Organization's financial health, not only exceeded 100 per cent, but was substantially higher than in most recent years. That was of capital importance, for it meant that the Organization had more funds than it currently required, which gave it a measure of financial flexibility and might enable it to pay its debts, for example.

7. As for the regular budget, aggregated assessments amounted to $1,074 million and total payments should reach an almost identical figure, $1,078 million, $755 million of which had already been received. With a flexibility rate of 100 per cent, no cross-borrowing should be required, at least insofar as the year as a whole was concerned.

8. Assessments for the two international tribunals stood at $169 million. A total of $173 million was expected by year's end, $145 million having come in before the end of September. A collection rate of 102 per cent gave a good idea of how the system was supposed to work.

9. Assessed contributions for the financing of peacekeeping operations should total over $3 billion, and payments should total $3.466 billion by the end of the year, including $1.711 billion paid as at 30 September against the assessments issued in 2001. With the $1.755 billion that the Organization hoped to collect by the end of the year, the collection rate would be 115 per cent, a good harbinger of financial liquidity sufficient for a major reduction of the debt owed to Member States.

10. For the first time in many years, the United Nations might have a solid basis on which to function, enabling it to deal with issues as they arose, such as reimbursements for troops and equipment, cash deficits and cross-borrowing.

11. The amount and timing of cash inflows largely determined the Organization's financial situation, which was judged according to three key indicators, namely, the level of unpaid assessments, the level of cash balances and the level of debt to Member States. Assessment levels were an indicator of the service demands placed upon the Organization and the resources needed to meet those demands. The

aggregate assessment levels projected for 2001 were $4.246 billion — a major increase over 2000, twice the size of 1999 and very close to the previous highs in 1994 and 1995. Nearly all of the increase related to peacekeeping.

12. Regular budget assessment levels had been static for the past eight years, and 2001 was no exception, with levels at just over $1 billion. That was a clear confirmation of the Organization's attention to financial discipline. Real costs had been reduced sufficiently to cushion the effects of inflation, making it possible to absorb unforeseen costs relating to peace and security without budget overruns, and to produce in 2001 a regular budget total lower than in 1994. Nevertheless, there were clouds on the horizon: inflation was higher, exchange rates were more volatile and more unfavourable, and additional services had been requested by Member States, whereas a final reading on maintaining the 2001 budget level would not be made until year-end.

13. Assessments for the financing of the International Criminal Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda had increased steadily over the past five years, to $169 million in 2001. The Tribunals alone employed 1,800 staff members.

14. With regard to peacekeeping, the picture was much more erratic. Assessment levels had been very high in 1994 and 1995; the amounts had diminished each year from 1996 to 1999, but had risen rapidly thereafter, reaching a level just slightly below the 1994 level in 2001. Member States had already received eight assessment letters in 2001; depending on the decisions of the Security Council, the peacekeeping assessment level was expected to exceed $3 billion by the end of the year. The assessments were concentrated in five large missions (the United Nations Mission in Sierra Leone (UNAMSIL), the United Nations Transitional Administration in East Timor (UNTAET), the United Nations Interim Administration Mission in Kosovo (UNMIK), the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC) and the United Nations Mission in Ethiopia and Eritrea (UNMEE)), which might total over $2.4 billion by year-end. Assessments for the remaining seven missions totalled just $600 million.

15. Against that backdrop, he turned to the first key indicator of the Organization's financial situation, the level of unpaid assessments. As at 30 September 2001, unpaid assessments totalled $3.893 billion, as compared with $3.094 billion the year before. All three budgetary areas showed increases in unpaid amounts: unpaid regular budget assessments ($541 million) had increased modestly, unpaid peacekeeping assessments had reached an unprecedented level ($3.281 billion), and unpaid Tribunal assessments had increased to $71 million. That notwithstanding, aggregated unpaid assessments were projected to fall to $1.799 million by the end of the year — a marked improvement.

16. On 30 September, the United States had owed 83 per cent of the total unpaid regular budget assessments, or $447 million; Brazil had owed $33 million, Argentina $19 million, and the remaining Member States $42 million. The situation should be markedly different on 31 December. Unpaid regular budget assessments should decrease to $217 million, with the United States share dropping to 76 per cent.

17. It was encouraging to note that the number of Member States which had paid their regular budget assessments in full had increased steadily, reaching 141 in 2000. As at 30 September 2001, however, only 122 Member States had paid in full. If a setback was to be avoided, at least 20 more Member States must pay in full during the third quarter; two had already done so.

18. As to the international tribunals, of the $71 million in unpaid assessments as at 30 September, the United States owed $38 million, the Russian Federation and Brazil together owed $21 million, and the remaining Member States owed $12 million. The payments expected to be received from the United States by the end of the year included $23 million for the tribunals, which would reduce the United States debt to $15 million.

19. Unpaid peacekeeping assessments at the end of September had reached $3,281 million, of which $1,837 million or 56 per cent was owed by the United States of America. That was reflective in part of the issuance in July of an assessment aggregating over $1.4 billion. Fourteen other major contributors together owed over $1 billion and only 12 per cent of the total was owed by other Member States. The Organization expected to receive from the United States by 31 December 2001 more than $1.1 billion in payment of peacekeeping assessments, including $582 million in arrears payment, which would bring the amount due down to $683 million and represent a marked

expected by the end of the year and the amounts owed by other Member States could therefore be reduced to $844 million. It would therefore be no exaggeration to state that a sea change would occur during the following three months: a decline in the level of unpaid assessments.

20. The second key indicator was the cash position. With regard to regular budget cash, the Organization had started the year with a positive balance of $66 million and up until June receipts had been for the most part in excess of disbursements. That, however, was the end of the positive picture. At the end of September, the cash position had been in deficit (minus $22 million) and the deficit position was expected to continue and deepen reaching minus $147 million at the end of November. If the United States of America paid the full balance of their regular budget assessment for 2001 in December, the regular budget cash amount at 31 December would be $2 million. Payment of assessed contributions was not the only contributing factor: revenues had fallen off on account of the closure of the Headquarters building to visitors, first for the holding of two special sessions and later as a result of the events of 11 September. However, it remained obvious that the recurring cash deficit during the last three months of each year would become chronic unless Member States paid their regular budget assessments on or about the date when they became due, namely, 31 January.

21. The situation with regard to peacekeeping cash was in many respects the opposite. From January to August, balances had remained relatively stable and then had begun to build in September. High inflows were expected in the last months of the year, notably from the United States of America (an arrears payment of $582 million and assessment payments for 2001 totalling $572 million). The cash balance would rise to approximately $1.8 billion in October and November before falling to $1.238 million at year-end, as a result of payouts to Member States for troops and contingent-owned equipment obligations long in arrears. Payments would begin as soon as the United States arrearage payment was in hand.

22. Combined year-end cash was projected to be at the level of $1,264 million at 31 December 2001. The picture was better than earlier years, but still tenuous for an Organization that had no reserves, no capital and no borrowing capacity.

23. With regard to the third indicator, debt to Member States, the United States had decided to release $582 million in arrears. In addition to a cash payment of $475 million, a credit of $107 million beneficial to the United Nations would arise from the application of troop and contingent-owned equipment obligations due to the United States, which would reduce by the same amount the disbursements that the Organization would be required to make and would therefore have the same effect on its cash position as payment of the same sum in cash. The operation should take place in early November and the Organization hoped to begin reimbursements to other Member States shortly thereafter. It would begin with claims for reimbursement that had already been certified (payment of $505 million to be made to 48 Member States), with the remaining portion ($77 million) being paid as claims were processed, if possible before the end of the year. In order to speed up the processing, the Governments in question were requested to sign the required memorandums of understanding as quickly as possible.

24. At 1 January 2001, the Organization's debt to Member States for troop contributions ($164 million) and contingent-owned equipment ($753 million) stood at $917 million. Instead of the $100 million that had been forecast earlier in the year, it expected to pay $131 million for 2000 obligations. Obligations for 2001 were forecast to be $668 million instead of $504 million (in fact, several current missions had larger contingent-owned equipment components than most other missions, the General Assembly had approved higher rates of reimbursement for troops and equipment, and the Department of Peacekeeping Operations had revised its estimates of amounts due); payment of 2001 obligations should amount to $450 million instead of $417 million, the $582 million in arrears received should be paid out by way of reimbursement, and the Organization hoped to be able to make additional reimbursements of $166 million in 2002 by way of reimbursement of 2001 obligations. That would bring the Organization's total debt down to $256 million instead of $904 million. Based on the above scenario, he could say and even repeat out loud that the United Nations would be current in terms of paying troop-contributing countries and that he had been wrong to describe the debt situation as intractable.

25. In conclusion, the finish line was in sight. Unpaid assessments were down, cash was up, debt to Member States had been drastically reduced and financial stability and security were close at hand. Perhaps the Organization needed it now more than ever.

The meeting rose at 10.40 a.m.